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December 15, 1954

The White House
 Washington

THE CABINET

Overseas Personnel Management

Document No. 100-2
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For consideration by the Cabinet, attached is a series of briefing papers, prepared by Mr. Philip Young, in consultation with the interested agencies, on the proposals, as they now stand, for the Administration's overseas personnel management program.

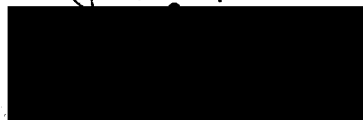
There are nine segments of this program; there are twelve succinct briefing papers attached (three of them are on one subject: retirement).

The nine subjects, in approximately the order in which they will be referred to during the Cabinet discussion, and in the order in which these papers are attached here, are summarized on the introductory page immediately following this cover sheet.

Maxwell M. Rabb
 Secretary to the Cabinet

Memo. to the DCI: -

If possible we would like to have this presentation for our records in the Office of Personnel.



CABINET PAPER
 FOR CONSIDERATION

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THE OVERSEAS PERSONNEL PROGRAM

CABINET ACTION REQUESTED

The purpose of the Cabinet discussion relating to overseas personnel management problems is (A) to gain Cabinet and Presidential approval of the content and cost of five areas of activity and (B) to gain approval of the direction being followed in four additional areas

A. Proposals on which specific cost and content approval is desired and which require legislative action include:

- 1 - An omnibus bill covering allowances and differentials for all U.S. citizens overseas.
- 2 - Amending legislation extending home leave benefits to all personnel not covered by the Foreign Service Act of 1946
- 3 - The Department of State's proposed amendments to the Foreign Service Act of 1946
- 4 - A proposal by USIA to establish for that Agency a career category of Foreign Service personnel
- 5 - The remaining item on which content and cost approval will be requested concerns extension of the competitive civil service overseas. (No legislative action will be required in this area.)

we are supporting this

no objection

no objection

we are not in competitive civil service and do not want to be. our exp. authority is working

B. In addition, approval will be requested of the direction being taken in four other program areas:

- 1 - Retirement for U.S. citizens and aliens overseas (3 papers)
- 2 - Health and medical benefits
- 3 - Housing
- 4 - Alien personnel management.

Diff. Com. Took over Kaplan work.

Draft Bill sent to us for comment.

While approval of the general direction of these four projects will be requested at this meeting of the Cabinet, actual content and cost approval will be asked at a date in the near future.

CABINET PAPER
FOR CONSIDERATION

PROJECT: ALLOWANCES AND DIFFERENTIALS

PROBLEM

Three major systems of allowances are now applicable to American citizen civilian personnel stationed outside the continental United States: foreign area allowances, administered by the Secretary of State under Presidential order; territorial allowances, administered under similar order by the Civil Service Commission; and, maximum 25 percent salary differential provided by law for personnel stationed in the Panama Canal Zone. Administrative practices vary within the systems among agencies and among pay groups. Some of the differences are warranted by differences in circumstances, others are not. It is the consensus of major departments and agencies that a single statute, consolidating existing authority for payment of allowances and differentials for civilian personnel and correcting certain inequities that now exist is highly desirable.

PROPOSED SOLUTION

Our proposed legislation on this subject provides as follows:

1. Quarters Allowance - a. Continues statutory authority to furnish living quarters without cost in foreign areas, or to grant allowances in lieu thereof; b. Extends to employees of all agencies authority to pay a "temporary lodging" allowance upon first arrival at a post, for a period not to exceed 3 months;
- c. Adds a new provision to permit payment of the "temporary lodging" allowance for a period not to exceed one month immediately prior to final departures; d. Adds water supply to

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the utilities to be covered by the quarters allowance; e. Adds provision to permit reimbursement of personnel for unusual expenses incurred in initial repair, alteration and improvement of substandard dwellings; f. Adds exemption from Revised Statutes 3648 to permit advance payments of quarters allowances.

2. Cost-of-Living Allowances

Foreign Areas a. Continues existing authority for payment of post allowances which compensate for living costs higher than in the U. S., initial outfitting costs in connection with transfers between posts, maintenance of separate establishments if conditions at a post preclude taking dependents along; b. Adds authority to pay a transfer allowance upon assignment to duty in the U. S. between foreign assignments; c. Amends the existing "separate maintenance" allowance to permit payment if the separate establishment is away from the post of assignment and not necessarily outside the country of assignment; d. Adds provision for a new allowance, to permit payment of an education allowance and related travel grants; e. Extends authority for payment of representation allowances to all agencies; f. Extends to all agencies authority to pay storage expenses similar to the authority now available to the Foreign Service; g. Extends to all agencies authority to pay costs of unusual housekeeping expenses for top officials, similar to the official residence allotment provided in the Foreign Service Act of 1946 for the principal diplomatic or consular officer at a post; h. Continues authority for payment of post differentials not to exceed 25%

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of basic compensation, based on undesirable conditions of environment, and extends this authority to Foreign Service officers and Foreign Service reserve officers not presently covered.

[Territories] a. Continues the cost of living allowance to offset the difference in living costs between the territorial area and Washington, D. C. but eliminates the present 25% limitation; b. Adds provision for payment of the storage allowance on the same basis as is available to employees in foreign areas; c. Continues the authority for payment of post differentials based on undesirable environmental conditions, not to exceed 25% of basic compensation.

3. General Provisions - a. Regulatory authority is vested in the President; b. Allowances and differentials are authorized for employees whose rates of basic compensation are fixed - (1) by statute, (2) administratively.

ACTION

There was submitted to the 83rd Congress a draft of a bill (H.R. 9767) known as the "Overseas Allowances Act of 1954", incorporating to provisions outlined above. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

The proposed bill is based on the principle that the Government should compensate Federal employees overseas (a) for additional expenses associated with overseas service not incurred, or not incurred on a comparable scale, by Federal employees in

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the States, and (b) for living conditions at overseas posts that are relatively adverse when compared with living conditions in the States. Fundamentally the proposed bill--

(a) Brings about uniformity in overseas allowances and differentials to the extent consistent with conditions. It eliminates unwarranted differences between the territorial and foreign systems; permits extension of all allowances and differentials to employees whose rates of pay are fixed administratively, mainly the wage-board group; and eliminates the many differences that now exist between allowances and differentials for the Foreign Service under the Department of State and those for other Federal agencies in foreign areas.

(b) Codifies in one act various provisions of law now found in numerous separate statutes, and provides a single authority, uniform for all agencies, for allowances and differentials.

(c) Provides a basis for the more efficient and equitable administration of allowances and differentials.

(d) Provides authorities now lacking entirely, or modifies existing authorities, to meet specific problems at foreign posts.

(e) Meets the major problem of allowances in territorial areas by eliminating the statutory 25 percent ceiling on territorial cost-of-living allowances.

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COST OR SAVINGS

The cost of the bill, introduced in the 83rd Congress, was estimated at \$6,319,008.

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PROJECT: HOME LEAVE

PROBLEM

Employees of the State Department Foreign Service, and of the Foreign Operations Administration and United States Information Agency earn, and may accumulate without limit, home leave in addition to their regular leave, at a rate equivalent to one week for each four months of overseas service. A number of other agencies have indicated that lack of such home leave for their employees overseas has created a serious problem. Government and industry experience indicates that home leave is necessary to permit employees to obtain proper rest and recuperation after service in difficult posts; to permit them to become reacquainted with American ideas and customs after prolonged exposure to foreign influences, and to permit them to visit their family and friends and take an adequate vacation in their own country. Under the current leave system applicable to some of our overseas employees they could not normally accrue enough leave during one overseas tour to take an adequate vacation in the United States. This system results in increased turnover because it makes it necessary for employees to resign if they desire extended leave in the U. S. Turnover in overseas positions is extremely costly for the Government because of the logistics factors, and because of the difficulty in recruiting persons with the required skills and personal characteristics for overseas assignment.

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PROPOSED SOLUTION

In a study of private business practices, all companies consulted were found to grant an extended period of home leave in addition to local leave, after 2 or 3 years' service abroad. The most common practice seems to be to grant 1 month home leave for each year spent overseas, except in hardship areas, where this amount is usually increased to 2 months' leave for each year of service. Up to 3 months' home leave for each year's service in a hardship area was granted by one company.

We propose to meet this need for Government employees by extending the home leave benefits currently enjoyed by foreign affairs personnel to all personnel employed by the Government overseas. We would provide administrative controls, however, to preclude granting unwarranted leave benefits.

ACTION

There was submitted to the 83rd Congress a draft of a bill to amend the Annual and Sick Leave Act of 1951, as amended, to provide for home leave. It was introduced and numbered H.R. 9768. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

Suggested legislation to give agencies authority on a permissive basis to grant home leave benefits similar to those granted personnel employed under provisions of the Foreign Service Act of 1946 to all United States citizen employees serving overseas.

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COST OR SAVINGS

The immediate cost of the bill, introduced in the 83rd, was estimated at \$2,571,750. However, even a slight reduction in the high rate of turnover, as a result of its enactment would offset a large part of this expenditure.

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PROJECT: AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1946

PROBLEM

In March 1954 the Secretary of State established a Public Committee to study the administration of the Foreign Service and to recommend measures to improve the efficiency of operations of the Department of State and the Foreign Service.

The Committee's report, made in June 1954, included a basic proposal that departmental, Foreign Service Officer, Foreign Service Reserve and Foreign Service Staff positions be integrated, to the extent that interchangeability is feasible and desirable, into a single service subject to assignment at home and abroad at the discretion of the Secretary. Certain other recommendations were made, all intended to improve the effectiveness of over-all management and administration.

Most of the recommendations can be carried out to some degree under existing law, but in order to achieve fully the improvements intended some amendments to the Foreign Service Act of 1946, as amended, are required.

PROPOSED SOLUTION

The State Department has developed amendments to the Foreign Service Act of 1946, as amended, limited to those items considered of major importance to implement the Public Committee's recommendations. The general purposes of the proposed amendments are:

1. To permit appointments in classes FSO-1 through FSO-5 to salary steps above the minimum. (Sec. 413) ✓
2. To extend to Foreign Service Officers and Reserve Officers payment of hardship post differentials. (Sec. 443) ✓
3. To make officers of other Government agencies eligible for lateral entry as Foreign Service Officers; and to eliminate the requirement that the qualifying period of service be performed "immediately" prior to appointment as a Foreign Service Officer. (Sec. 517) ✓
4. To increase the maximum duration of Foreign Service Reserve Officer appointments from four to five years with authority for a two-year extension. (Sec. 522) ✓
5. To authorize waiver of the four-year limit on assignments of Foreign Service personnel to duty in the United States. (Sec. 571) ✓

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6. To authorize negotiation of reimbursement for Foreign Service personnel detailed to other Government agencies. (Sec. 571) ✓
7. To extend the selection-out system to Foreign Service Officers of class 1. (Sec. 633) ✓
8. To limit the amount paid to Foreign Service Officers in classes 4 and 5 who are selected out of the service. (Sec. 634) ✓
9. To discontinue the provision granting Foreign Service Officers time and one-half credit for service at unhealthful posts. (Sec. 853)
10. To establish a home service transfer allowance for Foreign Service personnel assigned to duty in the United States between foreign tours of duty. (Sec. 901) ✓
11. To establish a basis for educational grants to defray part of the expense of educating children of American parents stationed abroad. (Sec. 901) ✓
12. To authorize physical examinations for dependents. (Sec. 943) ✓

ACTION

The proposed bill has been cleared by the Bureau of the Budget for submission to the Congress.

BENEFITS

The proposed bill will constitute an important step toward achievement of badly needed and long over-due improvements in the personnel systems of the Department of State and the Foreign Service by removing some of the highly restrictive features of the Foreign Service Act of 1946, as amended. It will permit better utilization of personnel and simplification of administrative processes.

COSTS

Costs resulting from the proposed amendments as calculated by the Department of State are as follows:

	FY 1955	FY 1956
Later appointments above minimum rate of class	160,000	160,000
Payment of salary differentials to FSOs and FSRs	120,000	488,000
Home service transfer allowances	75,000	175,000
Educational allowances	50,000	442,390
Medical examinations for dependents	7,000	28,000
Totals	412,000	1,285,390

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PROJECT: CAREER CATEGORY FOR U.S.I.A.

PROBLEM

Reorganization Plan No. 8 of 1953 made available to the Director of the U. S. Information Agency certain personnel authorities of the Foreign Service Act of 1946. In transmitting the Plan to Congress, the President stated that he did not consider these personnel arrangements permanently suitable. The authorities available to the Director are limited to the Foreign Service Reserve and the Foreign Service Staff. The statutory four-year limitation on Reserve appointments and the absence of Foreign Service Officer authority leaves our overseas Information Officers without assurance of tenure and makes it difficult for the Agency to retain and develop their services to the maximum extent possible. The limitation on the length of service of Foreign Service Reserve Officers has necessitated appropriation language each year to extend Reserve appointments -- which leaves the Agency in a precarious situation each year since such substantive language in appropriation legislation is subject to a point of order. Thus, the Agency needs a more stable statutory base for its overseas personnel.

PROPOSED SOLUTION

The Agency is proposing legislation to permit the Director to appoint Foreign Service Information Officers without regard to the time limitation imposed on Reserve appointments by the Foreign Service Act. This authority would give the Agency three categories of American personnel -- Foreign Service Information Officers, Foreign Service Reserve Officers and Foreign Service Staff personnel. Salaries, allowances and other benefits will be governed by legislation applicable to the Foreign Service of the Service of the United States and Foreign Service personnel management of the Agency will operate within the framework of the Foreign Service Act. The proposed legislation includes authority to establish Boards of Examiners and Promotion Boards, to separate for cause and to establish probationary periods for Foreign Service Information Officers. The Agency also proposes that Foreign Service Information Officers be given the same retirement and disability benefits as are accorded to Foreign Service Officers of the Department of State.

ACTION

The Agency has prepared a draft bill for submission to the Congress.

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BENEFITS

The proposed legislation will give the Agency more stability in its overseas personnel and enable it to retain higher calibre personnel and, to develop their abilities to the utmost.

The Agency expects higher morale and esprit de corps because of this stability which will allow more systematic personnel management.

The legislative proposal will provide a personnel structure similar to that of the Department of State and enable the Agency to maintain a close correlation with the Department in personnel utilization and planning.

COSTS OR SAVINGS

The only costs involved are those resulting from minor salary adjustments in converting present qualified personnel to Foreign Service Information Officers and extension of the Retirement and Disability benefits, accorded to Department of State FSO's, to the Foreign Service Information Officers. The Agency will absorb the cost of salary adjustments. No estimates of cost of extension of the Retirement and Disability benefits are available.

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PROJECT: EXTENSION OF THE COMPETITIVE SERVICE OVERSEAS

PROBLEM

Career-type positions under the Civil Service system are filled through competitive examination except when specifically "excepted" from it. "Excepted" means that these positions can be filled by means other than through regular competitive procedures, and that subsequent personnel actions are not in all cases under regular Civil Service rules. Most overseas positions under the Civil Service system (as distinguished from the Foreign Service system, etc.) are currently in the "excepted" category. This has precluded many competent persons in the United States from taking positions overseas where their services were needed because they would lose status in their positions. It has also meant that persons with good service records overseas could not return directly to positions in the United States because they have not been recruited through competitive procedures. It has also meant that agencies have not had the advantages of regular Civil Service recruitment and examination procedures for their overseas positions. There are approximately 44,500 positions in the excepted service overseas, of which a large number are in the Department of Defense.

PROPOSED SOLUTION

The Department of Defense and the Civil Service Commission have developed plans whereby the competitive service would be extended to almost all overseas positions occupied by United

PROJECT: RETIREMENT PLAN FOR U. S. CITIZENS OVERSEAS

PROBLEM

The vast majority of American citizens employed by the U. S. Government overseas are covered either by Civil Service retirement or by old age and survivor's insurance. This includes approximately 30,000 employees of the Department of Defense, State Department's Foreign Service Reserve, Foreign Service Staff, USIA, FOA and others. Approximately 1,300 Foreign Service officers of the Department of State are covered by the Foreign Service Retirement system. Although Foreign Service career officers serve overseas on a mandatory basis and for long periods of time certain of the other groups are subject to similar employment conditions. Thus, we find there are three basic systems in operation, viz., social security, U. S. Civil Service retirement and Foreign Service retirement for groups of employees that are in many cases subject to identical employment and environmental conditions. It was our purpose to establish a plan which could apply uniformly to persons serving the U. S. Government overseas.

PROPOSED SOLUTION

We have tied in our proposed solution with the recommendations of the "Kaplan" Committee which studied the U. S. Civil Service retirement system during the last of Congress. Our findings support the "Kaplan" findings and we recommend that

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States, and recruitment would be conducted in accordance with competitive procedures.

ACTION

This action should be consummated during the next calendar year. It will probably take the form of Amendment to Regulations and/or Departmental Circulars issued by the Civil Service Commission placing all such overseas positions in the competitive service. The Civil Service Commission and the various agencies affected are working out plans for implementation of this order which will result in the minimum practicable of disruption of existing recruitment procedures.

BENEFITS

Career employees in the United States can transfer overseas without losing status in their positions.

Career-type employees who have proven their ability in overseas positions can be transferred back to positions in the United States.

All persons recruited overseas will be screened through normal competitive requirements.

COST OR SAVINGS

The cost of this program will be only the additional administrative costs. The Civil Service Commission estimates an additional cost to them of approximately \$200,000.

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they be accepted and extended as the basic system for all U. S. citizens overseas. (The "Kaplan" Committee made no specific recommendations on overseas retirement) We would, however, propose a 2% benefit formula for all overseas service for persons having 10 or more years of overseas duty. The ~~1 1/2~~ benefit formula would continue to apply for periods of domestic employment. Thus, within the framework of the Civil Service Retirement system and in accordance with the Kaplan Committee recommendations, our proposal would maintain an equitable retirement incentive for overseas service.

ACTION

We have passed our study and proposals to the Civil Service Commission for their review and comment and for integration with the complete legislative package to be submitted to the Congress this session.

BENEFITS

This proposal would establish a uniform Federal retirement policy applicable to all American citizens employed by the Government.

It will provide an incentive for overseas employment by giving a more generous unit of benefit (2% of salary for each year of overseas service) to all employees, provided they serve a minimum of 10 years overseas. This unit of benefit currently applies to all service performed by Foreign Service Officers, regardless of where this service was performed.

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The proposal would eliminate extra benefit payments to persons who serve overseas for short periods of time and at the same time reward those with reasonable periods of such duty.

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PROJECT: RETIREMENT FOR PANAMANIANSPROBLEM

Department of Defense currently covers Panamanians under the U. S. Civil Service Retirement Act. Benefit payments to Panamanians are subject to a flat 30% United States tax. This tax may be eliminated by a pending agreement with Panama making benefit payments to Panamanians the same as payments to United States citizens in similar pay brackets. This would result in payments to Panamanians as a group greater than relative benefits received by United States citizens as a group because of the advantage they get from the weighted factors in the lower salary brackets. For example, the effect of the existing Civil Service Retirement formula which is weighted in favor of lower paid employees would be to permit Panamanians to retire at 80% of average pay after approximately 23 years of service. American citizens performing identical tasks would be required to work approximately 43 years in order to achieve the same relative level of retirement benefits.

The Panama Canal Company does not cover Panamanians under the Civil Service Retirement Act but rather provides benefits under the "Cash Relief Act" which is applicable to them alone. Employee benefits are minimal under this Act, resulting in great disparity with benefits under the United States Retirement Act.

We are not concerned with this problem at this time - off our objectives.

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We are committed to "equality of treatment" in employment practices as between United States citizens and Panamanians both by Ancillary Note of 1936 and by recent Executive commitment.

PROPOSED SOLUTION

We believe that Panamanians should be covered under the U. S. Civil Service Retirement Act in accordance with our commitment but we are not convinced that the intent was to give them what we consider exceptional benefits. We would amend the Retirement Act so that benefits could be adjusted to conform with Panamanian economic factors, on a sound actuarial basis. This would be in accordance with our proposals for treatment of aliens worldwide, in principle. (See: Retirement System for aliens)

Also, we are convinced that there should be uniformity of practice among U. S. agencies in the Canal Zone. Therefore, we will support repeal of the Cash Relief Act so that all Panamanians will be subject to the United States Civil Service Retirement system, modified as proposed above, if possible within diplomatic commitments.

ACTION

We will support repeal of the Cash Relief Act, which will be proposed by the Panama Canal Company.

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We are exploring with the State Department what can be done under existing commitments and through current negotiations, and if possible will support coverage of Panamanians under modified U. S. retirement provisions as proposed above.

This legislation will be tied in with the Civil Service Commission overall legislative proposals on retirement.

BENEFITS

Uniformity of retirement practices for Panamanians employed by U. S. agencies in the Panama Canal Zone.

Consistency in principle of Panamanian practice with world-wide proposals for aliens.

Implementation of long-standing commitment to Panama for "equality of treatment" of Panamanians.

COST OR SAVINGS

Our proposal would result in monetary savings to the Government, as compared with coverage under the existing Civil Service Retirement Act, in that retirement benefits for Panamanians would be adjusted in accordance with Panamanian economic factors.

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PROJECT: RETIREMENT SYSTEM FOR ALIENS

PROBLEM

The U. S. Civil Service Retirement Act as it now stands covers alien employees as well as U. S. citizens. Because the existing formula includes a fixed \$25.00 increment and is thus heavily weighted in favor of low-paid employees, this becomes untenable when one considers that aliens are employed at basic wage rates as low as 75¢ a day in certain overseas areas. Retirement benefits under the Civil Service Retirement Act would yield benefits disproportionately high in relation to active duty pay. There is to be considered, however, the fact that many foreign countries in which we operate have their own social security, Government employees' retirement and other similar systems. As an employer in these countries, the U. S. must be in a competitive position for available labor and also must follow employment practices that will not result in unfavorable relations. There are approximately 101,000 such alien civilians employed directly by the Government overseas.

PROPOSED SOLUTION

We propose to support legislation to provide authority for the U. S. as an employer to participate in local social security or retirement plans of the host Government on equal terms with local employers or the host Government. State Department would monitor the overall diplomatic arrangements for such actions.

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We would support amendment of the U. S. Civil Service Retirement Act so that it can be adjusted from an actuarial standpoint to serve as a retirement system where prevailing custom in a foreign country requires such coverage and where no local social security system is available to meet this need. (There should be few if any such cases.) This would be permissive legislation to establish systems within the general provisions of the Act, tailor-made for special overseas situations.

ACTION

We hope to propose legislation for this session of Congress. We are working with the Civil Service Commission on this matter.

BENEFITS

Under our proposal aliens (generally) employed in overseas areas can be excluded from coverage under the U. S. Civil Service Retirement Act.

We would provide authority for agencies to cover its alien employees under the same systems as is used by government and/or industry in the host country. Improved relations with aliens and their governments would result.

COST OR SAVINGS

This proposal should result in extensive savings to the Government since coverage under the Civil Service Retirement system as now required by law would provide greater benefits to aliens than would be customary under systems established in their own country.

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PROJECT: OVERSEAS HEALTH AND MEDICAL SERVICES

PROBLEM

Overseas U. S. citizen employees and their dependents are subject to certain risks to life and health which stateside Federal employees normally do not encounter. Amoebic dysentery, infectious hepatitis, malaria, typhoid fever, tuberculosis and certain other diseases are more prevalent overseas. Health and sanitary conditions are worse and local physicians and hospitals are frequently poorly American standards. The language barrier is a constant source of potential difficulty in obtaining hospitalization or medical care. In subjecting its overseas employees to these conditions, the Government, of necessity, must assume the responsibility for seeing to it that suitable medical care is available for its employees and dependents. Otherwise, it cannot expect to recruit and retain qualified employees for overseas service.

At the present time the degree to which agencies provide medical assistance overseas varies a great deal. Foreign Service employees of the Department of State, FOA, USIA and CIA receive care and medical travel at Government expense for all illness or injury requiring hospitalization which is incurred overseas. Although the health of the employee's dependents may have a direct effect on the employee's adjustment and work performance, no such provisions are made for dependents. Department of Defense

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localities where adequate facilities may be obtained;

4. Recommendation - Complete medical care at Government expense for all overseas employees and their dependents.

Alternative 1 - Hospitalization for employees and dependents at Government expense. Employees secure and pay for remaining medical care.

Alternative 2 - Hospitalization at Government expense for employees - participation in Government health insurance proposal for dependents. Remaining medical care secured by employee at his own expense.

5. Establish responsibility for the coordination of the various agency medical programs in the President's Advisor on Personnel Management and authorize him to establish an Overseas Medical Advisory Board. It would be the function of the Board to assist in developing standards, in recommending action to coordinate the agency programs and in maintaining inter agency liaison.
6. Authorize Department of Defense to provide medical care to employees and dependents in military medical facilities regardless of agency.
7. Authorize the Department of State to make available to other agencies the services of the Foreign Service Medical Program.

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8. Authorize the heads of agencies to establish health units, clinics and dispensaries and to provide services of a physician when warranted, under such standards as the President's Advisor on Personnel Management may issue.

ACTION

We have prepared a draft bill, the "Overseas Health and Medical Services Act of 1955", which will be circulated for agency comment. We hope to submit it to Congress for legislative action at an early date.

BENEFITS

Lessen the employees' apprehension about overseas health risks and thereby facilitate the recruitment and retention of qualified employees. Provide uniform medical benefits to all overseas employees, thus reducing contention and cause for dissatisfaction between the employees of agencies providing different benefits. Lessen the incidence of medical breakdown and its inherent expense to the Government through the loss of productivity, the cost of providing and training a replacement, and the cost of transportation for the employee and his household effects. In short, it pays management to keep the employee healthy and on the job.

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employees and their dependents generally are located near military hospitals and can receive service. They are charged \$5.00 per day for hospitalization and \$1.75 per visit for out-patient care. In addition to the regular financial burden imposed by medical care costs, employees stationed in out of the way places are often faced with paying the costs of travel, for himself and his dependents to a place where adequate medical facilities are available. The lack of a definite overseas Government medical program and uniform benefits for overseas personnel and their dependents presents a serious problem.

PROPOSED SOLUTION

To overcome the problems described above, we are proposing the following Government-wide overseas medical program:

1. Stringent pre-employment and pre-departure physical examinations for U. S. citizen civilian employees and dependents to assure that persons sent overseas at Government expense are in good health and are not suffering from some condition which will make them medical liabilities;
2. Complete immunizations for both employees and dependents;
3. Transportation at Government expense for employees and their dependents from localities where suitable hospital and medical facilities do not exist to

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COST OR SAVINGS

We estimate that the additional annual cost of the complete proposed medical program above what is presently being provided will approximate \$35,00 per individual covered per year or approximately \$2,100,000 for all employees and their dependents serving in foreign countries. The extension of similar benefits to selected Territories and possessions having medical hardship characteristics could be accomplished at approximately the same rate.

It is not believed desirable to charge the employee for these services on a health insurance basis because the employee then has the right to claim certain services which the Government is not equipped to provide overseas.

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two years. Consequently, it is difficult to recruit and retain the best personnel. U. S. citizens serving in foreign countries cannot be expected to purchase or otherwise enter into long-term arrangement for housing for obvious reasons, and lose the equity they would be building up if they were working in the U. S. where they could buy or build.

The inadequacy of housing also contributes to the problem of adjustment of overseas living. Employees forced to live in unsanitary, ill equipped places are dissatisfied and often the first to return to the United States.

PROPOSAL

We are proposing to bring about more uniformity in this field by developing and urging publication of a statement of Executive policy which will establish authority and responsibility for various aspects of the program on a consolidated basis within the Executive Branch of the Government, and will provide principles and criteria upon which agencies can base their housing programs. We would assign the responsibility for all non-defense agency housing to the Department of State. We would suggest criteria for housing civilians in the Defense establishments overseas, and clarify that civilian employees who are not provided appropriate and adequate Government housing or are not integrated completely with military personnel for the assignment of available Government housing are authorized

and should be permitted to procure private quarters and draw a quarters allowance. We would encourage the procurement of housing on a short- or long-term lease basis overseas by Departments in lieu of construction where economical and practicable to do so, provide mechanics for central coordination of such programs within overseas areas and suggest integrated programs across agency lines.

ACTION

This proposal will be implemented through publication of an Executive policy as outlined above.

BENEFITS

This program should result in economics on a long-term basis. In place of the current "feast or famine" housing program there should evolve a consistent pattern of construction of Government housing, procurement of privately constructed quarters, and control of commercially obtained quarters in overseas areas. This Government-wide policy should also provide a more firm basis upon which the Congress and the Bureau of the Budget can evaluate agency requirements and proposals in this field. Most important, it should facilitate recruitment and retention of a desirable type of employee and reduce expensive turnover in overseas positions by providing for our overseas employees the essentials of decent living accommodations for bachelor or family life as is customary for U. S. citizens.

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COST OR SAVINGS

Housing programs are expensive, and total cost in general will be directly in proportion to the number of people to be housed. However, our program should result in economies on the basis indicated above.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 11, 1954

PROJECT: ALIEN PERSONNEL MANAGEMENT

PROBLEM

The U. S. Government can effect tremendous economies by using alien employees overseas in lieu of recruiting, transporting and sustaining U. S. citizen employees and their families in overseas areas.

However, existing statutes governing Federal employment did not contemplate the use of aliens and the result is frequently the imposition of unreasonable restrictions and requirements when these laws are applied to aliens.

Department of Defense alone employs approximately 70,000 aliens directly and uses another 387,000 aliens on an "indirect hire" or "contract" basis. State Department and others employ a total of 19,000 aliens overseas.

Typical problem areas are - (1) inadequate social security provisions (see: "Retirement System for Aliens"); (2) inability of the U. S. Government to make foreign tax deductions as is customary in the host countries; (3) inability of the U. S. Government to participate in local benefit systems, such as injury compensation, vs. the U. S. system; (4) inability to contract for personal services when it might be desirable and economical to do so; (5) impracticable restrictions in establishing leave and holiday systems for aliens; (6) absence of separate authority for the establishment of alien pay and fringe benefits; (7) absence of separate authority to recruit and transport aliens within overseas areas; (8) inability to train aliens

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in basic skills when economical to do so under certain circumstances; (9) inability to provide food, clothing, shelter, to aliens at rates commensurate with their ability to pay when extensive savings to the Government could be made by so doing; (10) the law now requires oath of office, non-strike affidavit, loyalty oath, etc., which in many cases are not appropriate for persons owing allegiance to countries other than the United States.

PROPOSED SOLUTION

In general, our proposals will provide for authorities to cover alien employees under their own laws and to administer them in accordance with their own customs when it is considered practical, economical and desirable to do so. We would sponsor enactment of such legislation as would be required to alleviate problems listed above.

ACTION

We have a project underway looking toward appropriate legislative action. Probably only segments of this legislation will be ready for action this session of Congress.

BENEFITS

Programs for employment of aliens can be developed which will result in increased efficiency and economy and improved relations with aliens and their governments.

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COST OR SAVINGS

These proposals will result in monetary savings both in terms of the lower direct costs and in terms of increased use of aliens vs. U. S. citizens overseas.

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